

**SENIOR INTERDEPARTMENTAL GROUP-INTERNATIONAL ECONOMIC POLICY**

3:00 P.M.  
February 22, 1983  
Roosevelt Room

**Attendees:**

Treasury  
Secretary Regan  
Marc Leland

OMB  
Joseph Wright

State  
Secretary Shultz  
W. Allen Wallis

USTR  
William Brock  
David Macdonald  
John Ray

Defense  
Secretary Weinberger  
Richard Perle

CIA  
Henry Rowen

Agriculture  
Secretary Block  
Richard Lyng

OPD  
Edwin L. Harper  
Roger Porter

Commerce  
Secretary Baldrige  
Lionel Olmer  
Lawrence Brady

CEA  
William Niskanen  
Paul Krugman

Office of the Vice President  
Admiral Daniel Murphy  
G. Philip Hughes

NSC  
Roger Robinson  
Norman Bailey, Executive Secretary  
Arthur Manfredi

Justice  
Michael Shepparel  
America Cinquerana

**Export Administration Act Review**

The Chairman called on Secretary Baldrige to give the SIG-IEP an update on the status of the Administration's review of the Export Administration Act. Secretary Baldrige called on Under Secretary Olmer who is chairing the interagency group handling the review over the last few months. Mr. Olmer made the following points:

- The current Act expires September 30 unless renewed.
- There are three options: rollover, marginal rewrite or major rewrite.

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- Congressional hearings will begin soon to elicit Administration views -- about six committee hearings over the next few months. Any bill must be out of committee by May 15; the Administration's position must be ready by March 31.
- Members of the Senate are interested in a strengthened bill, the House is more concerned about the business community and therefore diminished Presidential authority. The Hill wants an act that will restrict items that will be controlled in response to concerns of the business community.
- Foreign governments have taken an interest, particularly on extraterritorial issue, and the subject will probably come up at Williamsburg.

Mr. Olmer noted the question of the level of detail with which Cabinet officers should be presented; he felt they should address all key issues, of which there are now about 25. Mr. Olmer then displayed four charts which illustrated the coverage of the current Act and the proposed/expected Congressional bills. He discussed primarily the national security controls and problems highlighted by the business community. He also noted the content of the Garn and Bonker bills. (Charts are attached.)

Mr. Olmer said he hopes to deal with as many of the 25 issues as possible at the Under Secretary level; the next meeting is scheduled for February 24 (now rescheduled for February 28). He hopes to reduce the number of issues requiring Cabinet-level resolution to about 6-12, but doubts that goal can be achieved.

In responding to questions, Mr. Olmer again noted some of the most common complaints of the business community. The question of the anti-boycott policy was raised; Secretary Shultz recommended that this issue not be introduced into the EAA revision discussion. There was some discussion about methods of trying to deal with the anti-boycott legislation with one bill. Secretary Baldrige asked about a rollover. Mr. Olmer and Mr. Perle responded to Secretary Baldrige's inquiry by discussing the political implications of the Reagan Administration simply accepting inherited legislation on an important issue. DOD suggested a legislative strategy of introducing a strengthened bill in Senate in order to ensure that the conference committee would yield a bill preserving Presidential authority.

Mr. Olmer summarized that he would report back to the SIG after the next round of discussions at the Under Secretary level and reiterated that the business community has legitimate concerns.

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Agricultural Issues

The Chairman called on Secretary Block to give a status report. Secretary Block called on Deputy Secretary Lyng, who has just returned from negotiations in Europe. Mr. Lyng said that, although there was no progress on agreements, there was some progress on their understanding of our problems. The officials with whom he was dealing had insufficient authority to make decisions. Ambassador Macdonald suggested that in next round we need to focus the issues and have information feedback from European governments. Mr. Lyng noted that there had been agreement on a joint report. The EC had proposed a cartel, which we felt was not useful. We had proposed a phase out of export subsidies over 5-7 years, but that had not been accepted. It was also mentioned that Ambassador Brock had met in Japan with higher level EC representatives who would be returning to Brussels this week. There was hope of a positive response.

Mr. Lyng commented that USDA had a representative poised to go to Egypt and that USDA had already made the proposal for the butter sale to the Egyptians. Secretary Shultz noted his understanding that Ambassador Brock wanted to wait until we hear from Brussels before committing ourselves to the butter sales to Egypt. Secretary Block confirmed that he had agreed with Ambassador Brock that no further action would be taken by Agriculture until after the United States hears from USEC. In addition, he said any agricultural export proposals would be brought to the SIG and any agreement on butter sales to Egypt would be brought to the SIG before it is finalized. Secretary Block said there were several proposals to be discussed in the CCFA but no final decisions would be taken there. Secretary Block said we should look at barter and bilateral trade agreements, noting our goal is to maintain, not increase, our market share until the world economy turns around. We reportedly have no other subsidies except blended credits and PIK for overseas sales as possible tools but that they should not be used indiscriminately.

Secretary Shultz again stated that we should "hold fire" until Ambassador Brock reports on his discussions and all agreed.

Debt Strategy

Secretary Regan provided a brief summary of the issue of the IMF quota increase and the LDC debt situation.

IMF. A 47 percent increase in resources has been approved, the U.S. portion of which is \$5.8 billion. The GAB arrangement will be increased to \$19 billion and the availability of this

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facility extended from just the G-10 to all member countries. The U.S. portion of this increase is \$2.6 billion. Secretary Regan stated that we will ask Congress for a total of \$8.4 billion and reiterated that there is no budgetary impact. He noted that the increased resources will be used for interest-bearing loans, and we will receive increased drawing rights at the IMF commensurate with our new contribution.

Secretary Regan predicted a tough fight in Congress and requested that everyone assist in this effort. We must respond to charges that these funds should be used for domestic employment and other needs with persuasive arguments concerning preserving international monetary and economic order as well as the international trading system. In support of these arguments are the facts that no country has defaulted on IMF loans since its inception 40 years ago, although some have required successive programs, and that we have drawn down on IMF resources (although never borrowed).

Debt Situation. Secretary Regan said Treasury hoped to wrap up Mexico this week and Brazil is still confronting serious difficulties. Brazil remains about \$0.5 billion short on the fourth part of its four point financial package (Interbank deposits), but they are reasonably current on their bills. Secretary Baldrige recommended coordination of all the SIG-IEP efforts in this area. He said if more personnel were needed, they should be provided. His concern was that Treasury and Commerce were separately writing position papers on the debt situation and the impact of the Third World austerity programs on the international trading system. He suggested that an effort be made to approximate the impact of the Third World debt problems on U.S. employment could be an useful issue for the group to study and would assist our efforts to have Congress approve the IMF quota increase. Secretary Regan committed to look into this suggestion.

Attachments

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## OVERVIEW OF EXPORT ADMINISTRATION ACT

### National Security Controls

- Authority
  - Commerce, in consultation with Defense
  - Defense veto to President
- Commodity Control List (CCL)
- Militarily Critical Technologies List (MCTL)
- Foreign Availability
  - Criterion for decontrol
  - Criterion for licensing
- Technical Advisory Committees

### Foreign Policy Controls

- Authority
  - Commerce, in consultation with State
- Six Criteria
  - To *consider* before imposing controls
- Requirement for business and Hill consultation
- Report to Hill
- Consideration of alternative means
- Foreign Availability
  - Criterion for imposing controls
- Special Cases
  - Terrorism
  - Crime control instruments

### Short Supply Controls

- Authority
  - Commerce
- Purpose
  - *Control* export of goods in short supply
  - *Monitor* exports contributing to price increases and/or domestic shortages
- Special Cases
  - Crude oil
  - Refined oil products
  - Recyclable metals
  - Red cedar

## ANTIBOYCOTT PROVISIONS

### COMMERCE

### TREASURY

#### Authority

- Section 8 of EAA

- Section 999 of Internal Revenue Code ("Ribicoff Amendment")

#### Purpose

- Oppose participation in unsanctioned foreign boycotts against friendly countries and U.S. persons

- Discourage participation in or cooperation with international boycotts

#### Jurisdictional Reach

- Activities of U.S. persons in interstate or foreign commerce of the United States

- U.S. taxpayers, with respect to any agreement concerning participation or cooperation with international boycotts

#### Provisions

- Conduct prohibited: furnishing boycott information; refusing to do business; discrimination; agreement to do any of the above
- Requires reporting receipt of boycott—related requests

- Conduct prohibited: agreement to participate in or cooperate with boycott as a business condition
- Requires reporting of activities in countries listed by Secretary (with tax returns)

#### Sanctions

- Administrative
- Criminal

- Denial of certain tax privileges

CHART B

## OVERVIEW OF EXPORT ADMINISTRATION ACT

### Violations Provisions

- General Authority
  - Commerce
- Provisions
  - Criminal penalties
  - Administrative sanctions
    - Civil monetary penalties
  - Denial of export privileges

### Enforcement Provisions

- General Authority
    - Commerce, with limited delegation to Customs
  - Provisions
    - Investigations
    - Subpoena
    - Recordkeeping requirements
    - Confidentiality
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## BILLS INTRODUCED IN SENATE

### GARN BILL

- Creates independent "Office of Strategic Trade" (OST)
- Director: member of NSC
- Transfers all Commerce and State export control functions to OST
- Defines "technology" and adds foreign availability assessment criteria
- One-year extension

### HEINZ BILL

- Amends Foreign Policy Controls
  - Sanctity of contracts
  - Burden of proof shifted to President on foreign availability
  - Six criteria must be met
  - Authority to restrict imports
- Quarterly report on foreign availability
- Enforcement of criminal violations shifted to Customs
- Import restrictions as an enforcement tool
- Six-year extension

### NUNN BILL

- Transfers enforcement function to Customs
- Makes unlawful, "possession" with intent to export



## BILLS INTRODUCED IN HOUSE

### BYRON BILL

- Creates "National Security Control Agency" within Defense with primary authority for National Security Controls
- Defines "Technology" and adds foreign availability criteria
- No Foreign Policy, Short Supply, or Antiboycott sections
- No termination date

### BONKER BILL

- Trade Promotion
  - House Foreign Affairs Committee jurisdiction over trade development, international economic policy, and commercial affairs
- National Security Controls
  - Eliminates licenses for exports to U.S. subsidiaries
  - Eliminates licenses for COCOM countries
- Foreign Policy Controls
  - Contract sanctity
  - Requires Congressional approval for extraterritorial application
- Enforcement
  - Gives Commerce—search, seizure, arrest, firearms
  - Limits Customs—inspection, pre-investigation, seizure
  - Provides \$15 million for DOC enforcement
  - Limits Customs to \$15 million for enforcement
  - Prohibits interdepartmental transfers to Customs